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REMARKS BY CONG. HENRY A. WAXMAN
ON MEDICARE AND MEDICAID
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INTRODUCTION

A little over one year ago, party control of the Congress changed dramatically and decisively. A new majority came into control.

It meant changes in the leadership of the House, changes in the control of the Committees, changes in the way of operating the institution. But most dramatically, it meant that a group was in control that had a very different vision for this country, and for the role of Government.

Further, particularly in the House, the new majority was made up of people who believed that change could and should be accomplished without compromise. Cut Federal programs. Undo Government protections. Send power back to the States.

There was more. They were adamant about the need to balance the budget, but equally determined to cut taxes, particularly for the upper income, and increase defense spending. That contradictory goal could not be achieved, of course, without deep cuts in spending on domestic programs.

And because, along with Social Security, our health care financing programs represent such a large portion of the nondefense expenditures in this country, Medicare and Medicaid became targets of opportunity for the achievement of that goal.

In the first flush of victory, the new Republican majority thought the President and his priorities were irrelevant, they thought the Democratic minority was irrelevant, and by implication, they thought the people who relied on Medicare and Medicaid were--if not irrelevant--going to be willing or at least compliant soldiers in their march to a balanced budget.

Well, it didn't turn out that way. The fight isn't over, by any means, but there isn't anyone left in Washington who hasn't come to realize that Medicare and Medicaid are programs of great importance to millions and millions of Americans and their families, and change cannot be radical, or rammed down the throats of a President who resists it or a public who fears it.

Discussions of budgets and compromise agreements are almost never mentioned now without the immediate acknowledgement that solving the Medicare and Medicaid issues remains the most difficult sticking point in finding a consensus position.

IMPACT OF THE MEDICARE AND MEDICAID PROGRAMS

There really should not be any surprise that this is so.

MEDICARE. Medicare is a program that serves some 37 million Americans. Three-quarters of them have incomes below $25,000. The majority of them are women.

Nearly 40% of Medicare beneficiaries are people 75 years of age or older. The very fastest growing group are people over the age of 85--the old. They are the most likely to need expensive medical care and the least likely to have the resources to protect themselves against high medical costs. They are the most worried about how they will deal with a serious illness, and the most frightened of not being able to go to a doctor they know and trust.

Medicare has become as important to the security of the elderly as Social Security itself.

Further, the protections that Medicare provides don't just effect the people actually eligible for Medicare. They provide security for their families as well. It is the children and grandchildren of Medicare eligibles who no longer have to face the problem of an aging parent or grandparent without medical care coverage.

MEDICAID. It's not surprising, really, that cuts and changes in Medicare turned out to be a particularly sensitive political issue. But what is more surprising, perhaps, is that Medicaid turned out to be a program that also became central to the debate.

My own view about why this happened is twofold. First, the new Republican majority really wanted to destroy the Medicaid program. The very extreme nature of their attack served to focus the minds of a lot of people on exactly what this program did and who it protected.

Second, Medicaid is in fact a program which has served as the safety net to an American health care system which has a lot of holes in it.

Our system is based on covering people where they are employed. By its very nature, it is not designed to cover the retarded, the disabled, the AIDS sufferer or the nursing home resident. It isn't designed to help people with Alzheimers. It very frequently falls short in covering children--particularlyif they are poor--and single parents without work or in marginal jobs.

The program that has filled in all those gaps has been Medicaid.

Unlike Medicare, Medicaid is a program for poor people. It extends health care protection to children below the poverty line, for example. But it also pays for slightly over half of the nursing home care in this country.

Why? Because health insurance almost never pays for extended stays in nursing homes--not for the care that people get when they

enter a nursing home for the last years of their lives. And that care is expensive--over $40,000 a year on average, and even higher in many areas.

So even if people aren't poor when they enter a nursing home, they end up poor after a few years there. And then Medicaid becomes their source of support.

One result: families don't face the terrible problem of choosing between paying for their kids to go to college or their own parents to be cared for in nursing homes.

Another: the leverage of those Medicaid dollars and the development of Federal nursing home standards has resulted in a significant improvement of the conditions in nursing homes and the quality of life for the people who live there.

So it turned out that the program that is designed to serve poor people isn't quite so limited in its reach after all. In many ways it is among the most important protections for the middle class.

THE REPUBLICAN ATTACK

Partly because they provide coverage to so many people, Medicare and Medicaid make up a large part of the expenditures in the Federal budget. Medicare is a $200 billion program, and Medicaid accounts for $97 billion in Federal spending, with about an additional $73 billion put in by the States in matching funds.

Further, they are programs that grow more rapidly than many other parts of the budget, partly because medical care is an expensive commodity and medical care inflation consistently runs ahead of simple inflation, partly because of developments in technology, but also because the population using these programs is an aging one.

However, large as these programs are, the proposals for savings had to bear some relation to what was reasonable, and what could be achieved without savaging the very purposes of the programs. It was here, in my view, that the Republicans overreached.

The legislation they sent to the President would have reduced Medicare spending by fully 20% by the end of the budget period, and Medicaid by an even greater amount--over 30% by the year 2002.

This was done with no real answer as to how it could actually be achieved. Instead, the Federal contribution to these programs was simply capped. People who depended on the programs would have to live with--or die with--the consequences.

In Medicare, the budget cuts masked an additional agenda. The

proposals were designed to move the Medicare population into managed care, whether they wanted to go there or not.

And, even more pernicious, changes were set in motion which would take the healthier (and younger) Medicare population out of the program, and leave the sicker behind. That was to be accomplished through opening options like medical savings accounts and indemnity health plans which traditionally appeal to and are designed for healthier and wealthier individuals.

In Medicaid, the changes were even more radical. Essentially, the program was changed from a Federal-State partnership designed to provide health care coverage for very vulnerable low-income individuals into a revenue sharing program for the States. $97 billion Federal tax dollars were to be handed over with the most minimal of oversight by the Federal government, with virtually no directions in the law about what was to be done with the money, and with no enforceable rights for the people who were supposed to be served by the program.

Nursing home standards were repealed, and left to the States to redesign. No protections were kept in place for the spouses of people who went into nursing home--they could be left impoverished, compounding the tragedy of moving their spouse into a nursing home.

Providers who traditionally had been sources of care for the poor, like public and teaching hospitals and community health centers, lost any assurance that they could continue to participate in Medicaid or be paid a reasonable rate.

The final result was a Presidential veto, and the budget impasse we face today.

WHAT DOES THE FUTURE HOLD

To recognize that the Republican proposals for change were too radical does not mean that we must not continue to find ways to moderate the costs of our health care programs.

We know that we cannot sustain increases in our health care spending at rates far beyond the growth in the rest of the budget. We know we have to continue to work to protect the financial viability of the Medicare Trust Fund, and prepare to meet the exceptional demands that will occur when the Baby Boomer generation retires.

Efforts to moderate these costs aren't something that just occurred to people. We have been working at it for considerably

more than a decade. Prospective payment systems were pioneered in Medicare. Home and community based long-term care programs have been made a part of Medicaid. Better preventive and prenatal care efforts, coverage of vaccines, case management and managed care, have all been incorporated into our public programs.

But as with much else, we have to be reasonable in how we seek change if it is to be accepted and workable.

Managed care is a good example. I helped pioneer changes in Federal law that assisted the development of HMO's and that required their offering by employers. I authored changes in Medicare policy that allowed beneficiaries to choose coverage in an HMO.

The result has been a continuing increase in the use of this delivery mechanism. One-third of Medicaid recipients receive their coverage in a managed care setting. And today we have more than 10% of the Medicare population voluntarily enrolled in HMO's--an increase of nearly 67% since 1993.

I have no doubt that as more and more people gain experience in HMO's during their working life, at the time they then become eligible for Medicare they will choose to stay in HMO's. The positive effects this can have on the program will continue to grow.

But this is a very different path than forcing people into HMO's by setting up such heavy financial barriers to staying in fee-for-service medicine that they in effect have no other choice.

There is no reputable HMO around, in my view, that does not freely admit that the best way to have a satisfied clientele is to assure that people enroll voluntarily. That should continue to be our goal--particularly in the case of a Medicare population made up of some very elderly, very sick, very vulnerable people.

CONCLUSION

Just one of the impacts of the budget fights and the focus on changes in Medicare and Medicaid has been to emphasize again just how important our health care programs are, and how deeply the influence of Medicare and Medicare reach into the entire health care delivery system.

Radical cuts in reimbursement rates in these programs aren't just budget savers--cuts that are too deep and too rapid can pull down our premier health care institutions. They can endanger teaching hospitals and result in the closure of emergency rooms. They can cause significant unemployment of hospital personnel, with a ripple effect throughout the community. They can undermine the viability of public and inner city hospitals.

The 37 million aged and disabled people who rely on Medicare, and the 32 million vulnerable people who depend on Medicaid and have no where else to turn, feel the immediate effects of the changes we make in these programs. We cannot ignore the impact changes have on

their lives, their sense of security, their dignity and their well-being.

We can and will continue to reform Medicare and Medicaid, to control their costs and improve their functioning. But we must never lose sight of their purpose and their importance, and we must proceed with caution and care.

Thank you.